in your broker placing you in unsuitable investments that could cause devastating losses. In these circumstances, the losses would be your responsibility, not your broker's.

5. Avoid investments you don't understand. Steer clear of anything you can't explain in simple, comprehensible language to yourself or a friend. Read about investments, ask questions of brokers and other professionals and attend courses.

6. Risk no more than you can afford to lose. Gamble only with money you can afford to lose without hardship. If you can't afford to lose the money you have in the market, put it someplace else.

7. Avoid "cold-calling" salesmen. Be wary of strangers who contact you by phone or e-mail, through unannounced visits or with junk mail. Remember that if it sounds too good to be true, it probably is.

8. Recognize that there is no such thing as risk-free investing. Any claim to the contrary is a clear sign of an unscrupulous broker who may place you in an unsuitable investment. If you sense that risk is being soft-pedaled or misrepresented, seek a new broker.

9. If you suspect an unsuitable investment, get your concerns on the record. If the investment strategy isn't appropriate for you, raise the matter with your broker orally and in writing. Keep a copy of the letter. If you aren't satisfied with the response, raise the matter with the office manager. Forward your concerns to the firm's compliance office and to the Kentucky Department of Financial Institutions, Division of Securities (1-800-223-2579).

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UNSUITABLE INVESTMENTS

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THE CONCEPT IS SIMPLE

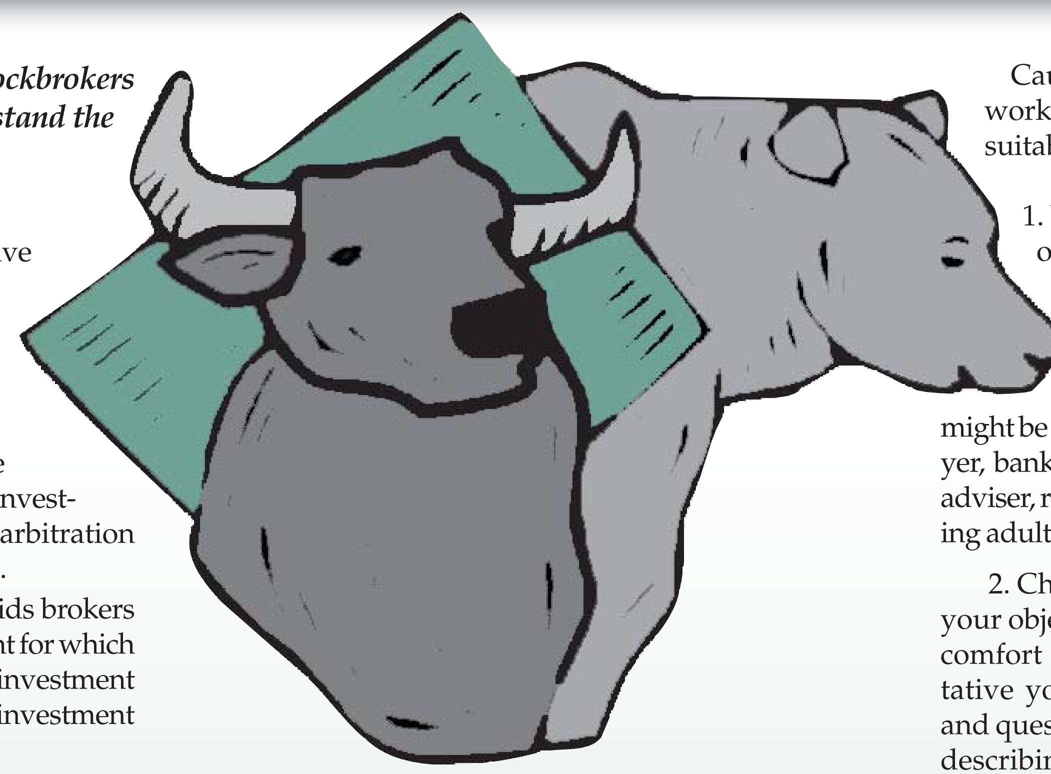
The concept is simple enough. Stockbrokers are professionals who should understand the ins and outs of securities markets.

All too often, individual investors have limited knowledge and little time to master the intricacies of the rapidly expanding and increasingly complex world of investments. Therefore, brokers bear a legal and ethical burden to act in the best interests of the investor when offering and executing investment recommendations. Courts and arbitration panels enforce brokers' responsibilities.

A "know your customer" rule forbids brokers from placing an investor in an investment for which he is "unsuited" in terms of depth of investment experience, net worth, annual income, investment objectives and other factors.

For instance, there was a tragic case involving a 55-year-old widow in Dallas. The woman was a quadriplegic and considered unemployable. Her only monthly income was her Social Security check. Her broker placed her in a series of exotic options strategies. She lost more than $33,000 of her retirement nest egg, leaving her with $2,700.

In another case, a 73-year-old Louisiana retiree had recently undergone open heart and cataract surgery. He lost his $1 million portfolio when his broker traded in "naked puts," which the retiree didn't understand.



Every customer who opens a brokerage account sits down with a sales representative and fills out a customer agreement form. This also can be done over the telephone. The customer must provide personal information (name, address, phone number, spouse's name, employer, etc.), investment objectives and the degree of risk he is willing to assume in an investment strategy. Some investments are riskier than others. For example, options trading is riskier than trading common stock. An investor interested in trading options faces more probing questions than an investor interested in trading a security. This process helps the brokerage satisfy suitability requirements.

HOW TO PROTECT YOURSELF:

Cautious investors should do their home work to make sure that their brokers make suitable recommendations:

1. Be realistic in setting your investment objectives. You are the only person who knows the right answers for you. Are you seeking maximum protection of capital? Quick growth? Regular income? Tax savings? These questions might be easier to answer with advice from a lawyer, bank officer, accountant, registered financial adviser, reputable financial publication, or by taking adult education programs or college courses.

2. Choose a broker who is compatible with your objectives. You will need a high degree of comfort with the firm and the sales representative you choose. Interview several brokers and question them in detail. Ask for a brochure describing the firm's investment alternatives and services, copies of specific recommendations over the past year and a copy of the firm's commission rates.

3. Check out your broker. Contact your local Better Business Bureau and the Kentucky Department of Financial Institutions, Division of Securities. If the broker has a disciplinary or enforcement history, it will be on file.

4. Tell your broker about your financial circumstances. Be candid in filling out the forms used to determine the suitability of investments. Don't inflate your financial status to impress your broker. Incorrect information could result